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PURCHASE OF NEWSPAPER ADVERTISING

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Mr. BANKHEAD, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany S. 1457]

The Committee on Banking and Currency, to whom was referred the bill (S. 1457) to aid in the stabilization program and the war effort by paid newspaper advertising in connection with the sale of United States bonds, and for other purposes, having considered the same, report thereon with a recommendation that it do pass with three amendments which are indicated in the bill.

The purpose of this bill is to authorize the Secretary of the Treasury to purchase and use advertising space in newspapers during each fiscal year for the duration of the war and 6 months thereafter in advertising the sale of bonds, notes, and other obligations of the United States, and for the publication in such newspapers as a part of such advertising, information, sales arguments, and appeals relating to and promoting or encouraging such sales.

The broad objective of a Nation-wide stabilization plan can best be achieved by the Government borrowing from all its citizens by means of bond sales to individuals. Up to the present, an overwhelming percentage of bond purchasers have been the banks, corporations, investment trusts, and other than individuals. The sale to individuals has been proportionately smaller. A more widespread diffusion of bond ownership to all citizens is imperative to the successful stabilization of our economy. Why this is essential to the national welfare does not require much elaboration. It is well recognized that as civilian goods become scarcer and individual incomes rise, much of the unexercised spending power would be brought into play. A program of integrated bond advertising reaching into every city, town, hamlet, and farm home, paid for by the Government itself, should induce the investment of individual funds far beyond the returns from the Treasury's sole dependence upon voluntary donations of advertising space.

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The Federal Reserve Bulletin issued October 22 has an analysis of the ownership of bank deposits, stating:

> Such evidence as is available indicates that individuals hold the bulk of both the $19,000,000,000 of currency now outstanding and the $31,000,000,000 of time deposits in commercial and savings banks and in the Postal Savings System. Thus cash holdings of individuals, including currency and time deposits, substantially exceed those of businesses. While time deposits are probably for the most part intended as relatively long-term savings, currency holdings, which have increased rapidly in recent years, are probably at least as volatile as demand deposits, and consideration of these other forms of money is essential to a complete picture of the cash position of businesses and individuals.

The expenditure decisions of individuals will have an important bearing on the inflationary problem. It thus illustrates the vital need of increasing the sale of Government securities to individuals. During the recent Third War Loan drive the total subscriptions amounted to $18,943,000,000. Of that amount, individuals subscribed for $5,377,000,000 only 28 percent of the total. The quota assigned for investors other than individuals was $10,000,000,000, and for individuals, $5,000,000,000. The quota for investors other than individuals was oversubscribed in the amount of $3,566,000,000, while the quota for individuals was oversubscribed only $377,000,000. The quota for "E" bonds was $3,000,000,000, and of that amount $2,428,000,000 was subscribed. That is only 81 percent of the "E" bond quota.

Section 1 of the bill would make available Federal funds beginning the fiscal year of 1944 to the amount of not less than $25,000,000 nor more than $30,000,000 for the purchase of advertising space in newspapers published in this country. It provides that the advertising space so purchased shall be divided equitably among all newspapers of general circulation which are entered as second-class matter under the act of March 3, 1879, and that in the distribution of such advertisements the same space shall be offered to all newspapers to be paid for at the prevailing published rate for the respective newspapers.

Communications from the Secretary of the Treasury and the Director of the Office of War Information recorded their opposition to the bill. In general, these Federal agencies predicate their opposition on the extent of space donations received under an extensive voluntary system of recruiting aid from national and local advertisers. The assumption that the voluntary contributions of sales promotion methods are sufficient to evoke a sustained demand for Government securities on the part of all citizens seems contrary to the facts. There are indubitable differences between the concepts of donations and purchases. Testimony adduced before the committee was to the effect that the war-related advertising in its predominate volume was actually restricted to the more densely populated areas. In other words, the Treasury's main reliance on the admittedly large donations of space from hundreds of national advertisers, whose newspaper space contributions are circumscribed by population considerations, demonstrates the inadequacy of their present bond promotion programs.

Evidence was presented at public hearings before the committee that as a consequence of this geographical limitation to the national advertisers' donations of space to cities of 25,000 population or more (416 cities in this category), this heavy barrage of eye appeals is seldom, if ever, seen by 52 percent of our population residing in the smaller cities, towns, and rural regions.

There are, of course, Treasury messages appearing under the donation system in other media, which to some extent cover the areas outside the population limitation of national advertisers using newspapers in cities above 25,000 population. The coverage, however, lacks the concentration of appeals accorded the newspaper readers in larger cities. Obviously the Treasury, being the recipient of the national advertisers' gratuities, can do little, if anything, to extend the dissemination of their bond sales appeals to places other than those prescribed by these donors.

The more intensive solicitations of the great masses of the population beyond the limited number of places reached by the sponsorship of newspaper advertising in metropolitan areas is of prime importance to hasten the flow of money into Government securities. The Treasury must find employment for idle money in the smaller cities, towns, and rural areas through public borrowing. Transferring this potential spending power for individuals to the Government is vital, for it might otherwise be diverted to uses encouraging inflation.

A proviso in section 1 of S. 1457 makes the total appropriation divisible. The proviso states:

> That one-half of the total amount made available during each fiscal year pursuant to this Act shall be expended for the purchase of such advertising space in daily, weekly, semiweekly, and triweekly newspapers published in cities, towns, villages, and communities of ten thousand population or less, and one-half of such amount shall be expended in daily, weekly, semiweekly, and triweekly newspapers published in cities, towns, villages, and communities of more than ten thousand population.

This proviso is intended to correct the conceded shortcomings of the great bulk of advertising sponsored by national advertising and donated to the Treasury's bond promotion. The Treasury Department's dependence on donated space, even when limited in scope, is inconsistent with the need of country-wide stabilization. This section of the bill pointedly expresses the congressional intent to the administrative agencies that no segments of the citizenry are to be deprived of Government messages simply because they reside outside the more populous regions. This proviso recognizes that vast areas of potential sales of Government bonds can be brought into investment channels when the solicitation is directly and formally presented in the name and with the prestige of the United States Government.

The committee elicited from various witnesses a clear account of the growing resistance to locally sponsored bond advertising in smaller communities. A survey by means of a questionnaire disclosed that 1,879 newspapers reported increased complaints from local merchants and professional men against the solicitation for local underwriting bond copy distributed by the Treasury for newspaper use. The publishers stated that their normal relations with local business houses among their advertisers were seriously endangered by the frequent accusation that local sponsorship advocated by the Treasury had become labeled a "racket."

Significantly, 94 percent of the 2,704 newspapers reporting in the survey advocated that the Government should pay for its bond advertising.

Similarly, 87 percent of the newspapers responding to questionnaires specifically denied that the purchase of newspaper space would interfere with editorial policy. The same percentage of newspapers reported they did not consider Government-paid advertising as a subsidy.

Reports of increasing difficulties in obtaining local sponsors for Treasury advertising copy show that the task of selling bonds under community agencies and stores can no longer be expected to facilitate the dissemination of these bond-sales appeals. The demonstrated inadequacy of the nationally sponsored newspaper-space donations has been discussed above.

The possibilities of a stabilized demand for Treasury securities require no emphasis. More than that, it becomes evident that paid Government advertisements must be used to persuade earlier buyers to retain these bonds. Practically all persons in the communities of 10,000 or less and in the surrounding farm regions are gainfully employed or recipients of other income. A far-reaching program, such as contemplated in this bill will insure placing the Government's sales message before all segments of the population.

The high productivity of the Canadian paid advertising plan in volume of sales to individuals and at low cost attests to the feasibility of the Government using its own resources and controlling its official messages. Testimony before the committee concerned a survey undertaken by a committee of daily and weekly publishers from Michigan as to the facts in the Canadian war advertising set-up involving 1,400 publications. Responsible Canadian officials told the Michigan committee that—

> the total cost of all the press advertising amounts to four one-hundredths of 1 percent of the amount of bonds sold. * * * There has been a continuing increase over the years in the number of persons who purchased such bonds. It has now reached the point where individual sales equal the total number of families in Canada. There are about 11½ million people in Canada, and figuring 4.3 persons per family would show 2,674,400 families. The individual subscribers to bonds in the last campaign were 2,669,111.

By comparison we would have to show 30 million subscribers in the United States.

The effect of a paid advertising promotion by the Canadian Government on sales of bonds to individuals is worthy of consideration in this country. Our committee was advised that—

> Prior to the advertising campaign a drive for war funds resulted in raising $367,197,800 from 150,000 subscribers. Then the advertising promotion began with the First War Loan drive, which raised $836,820,250 from 968,259 subscribers; the Second War Loan raised $997,503,000 from 1,681,525 subscribers; the Third War Loan raised $991,536,508 from 2,041,700 subscribers; the Fourth War Loan figures have just come in and show $1,308,985,500 raised from 2,669,111.

The entire Government paid advertising program in Canada last year cost $3,500,000.

As a matter of fact, the bill sets no precedent. The Federal Government has purchased advertising space for many years. History shows that newspaper advertising was used in 1864 when bond sales were lagging in those critical days. It was shown that advertisements were placed in every known newspaper in the Union, regardless of size. Any newspaper omitted from the first mailing list could immediately obtain the advertising merely by writing to the Treasury Department. War Loan advertisements appeared in four or five thousand newspapers—and were paid for by the Government at the newspapers' regular rates.

Letters from the present Secretaries of War and Navy show that nearly $4,000,000 of Federal funds were devoted to advertising by those departments during the last fiscal year. Less than 1 percent of that amount was spent with weekly newspapers. We can perceive no reason why the Treasury should not undertake a paid newspaper advertising program in seeking new capital. A distinct flaw in the solicitation of donated space is that it is not sufficiently elastic to attain the maximum benefit of a stabilization attainable through bond sales to all citizens.

During the course of the hearings, reference was made to a statement by John Stone, then Chief, Defense Bond Public Relations Staff, in which he wrote:

> Uncle Sam would rather go to ALL his folks and borrow a little from each one, than go to the banks and borrow great amounts of money, even though it would cost him less to go to the banks. He wants to do this because he believes that it will help avoid inflation and all the evils that inflation brings.

Somewhere the Treasury bond sales planners detoured from this laudable objective.

Section 3 of the bill sets up an advisory committee drawn from the two national nonprofit associations of newspaper publishers, one representing daily and one representing weekly newspapers. Their function would be to prepare newspaper advertisements and fairly distribute such advertisements to all newspapers in accordance with section 1 of this bill.

Paragraph (b) of section 3 carries a specific interdiction that in the administration of this act there shall be no interference in any manner with the independence or freedom of any newspaper or its responsibility in serving its readers.

Section 4 authorizes to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this bill.

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